

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Maldives	Project Title:	SASEC National Single Window Project
Lending/Financing Modality:	Grant/Loan	Department/Division:	South Asia Department, Regional Cooperation and Operations Coordination Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed project will establish a National Single Window (NSW) environment in Maldives, leveraging information and communication technology to provide online access for border control procedures. This will permit traders and other service providers to exchange electronic forms and documents, thereby eliminating the need for physical displacement. The NSW will provide a more efficient set of standardized and transparent international trade procedures, enhanced border controls, and readily available data on trade flows, consequently reducing the time and cost required for international trade transactions. The project links to the government's sectoral strategies as outlined in the Maldives Economic Diversification Strategy to establish a single window system for international trade facilitation. The project will be designed to contribute to the government's objectives of achieving broad-based economic growth. The project is linked to ADB's confirmed country operations business plan, 2018–2020 for Maldives.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

Impacts of the project will indirectly contribute to poverty reduction. Improvement in international trade procedures will be of great advantage to the exporting community, particularly fisheries, which generate more than 90% of export revenue through the export of fresh and processed fish products, particularly tuna. The fisheries sector is of central importance to any poverty strategy because it is the largest job-generating sector in the outer islands and accounts for 41% of total poor individuals with working household heads in the atolls, and 26% countrywide.^a The project will likewise reduce the overall costs of transactions in the long-term, which will enable traders, especially importers, to cut retail prices of staple goods such as imported food and fuel, thereby benefitting consumers.

Further, estimates show that the implementation of the NSW and accompanying efficiencies could lead to a modest reduction of about 10% in trade transaction costs,^b which could translate into \$17 million annual savings (based on 2014 values of imports and exports) both for the government and the private sector.^c These additional resources can be utilized for better provision of and greater access to public services such as socialized housing, education, and health, among others, serving a bigger segment of the population, particularly the poor. The major savings that traders (importers and exporters) accrue can eventually be channeled to fund business expansions. This could then result in significant employment opportunities in a number of industries.

Similarly, the project is expected to improve transparency, enhance accountability, and reduce corruption due to fewer opportunities for human interactions. This bodes well for the overall economy as various studies have shown that corruption increases income inequality and poverty through lower economic growth (Gupta et.al. 1998, UNDP 2008). Maldives ranked 95 out 176 economies in the 2016 Transparency International Corruption Perception Index, suggesting that corruption is still a major concern in the country.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries

Maldives' Human Development Index score has improved from medium in 2011 to high in 2015, reaching 0.70. It is the only country in South Asia that achieved 5 out of the 8 Millennium Development Goals ahead of the 2015 deadline. The percentage of the population living under the poverty had been reduced to a mere 1% as of 2011, starvation is nonexistent, universal access to primary education has been largely achieved, child mortality has fallen steadily, HIV rates have substantially declined, and malaria has been eradicated. Driven by strong tourism, gross domestic product grew at an average of more than 7% from 1980 to 2015, albeit with contractions after the 2004 tsunami and the 2008/2009 global financial crisis. Despite achieving socioeconomic milestones, development hurdles remain. Growth has not been sufficiently inclusive, resulting in widening income inequality, which is most pronounced in the atolls, particularly in the north and north-central regions.^d Unemployment, while slightly dropping from 5.5% in 2006 to 5.2% in 2014, persists and the percentage of unemployed women is slightly higher than for men. It is therefore imperative to develop and provide support for sectors that will most directly and effectively reduce

poverty and benefit those living in the outer islands. Similarly, an institutional and regulatory framework should be strong enough to support new investments and allow for private sector development since this is crucial for employment creation and economic growth.

The project envisions a more efficient and transparent trading environment that will benefit numerous sectors and individuals. Efficiency gains resulting from the project could translate into enormous savings for the private businesses engaged in trade, which they can use to support future investments, thus generating more jobs and contributing to private sector growth in the long-term. Specifically, this includes industries identified to be vital for the economy and where most poor people are employed—fisheries, construction, manufacturing, and tourism. The government will likewise gain with enhanced revenues from greater compliance and increased trade transactions, which it can use for the delivery of public services benefiting the general populace, especially those in the outer islands.

2. Impact channels and expected systemic changes

The proposed project will create a more efficient environment for international trade procedures, enhance border controls, and reduce the cost and time for trading across borders. The proposed project will improve and strengthen the ease-of-doing-business environment, enhance the global competitiveness of traders, contribute to private sector development, and improve livelihood opportunities.

3. Focus of (and resources allocated in) the project preparatory technical assistance or due diligence

Due diligence will consider the overall feasibility and affordability of the project. It will ensure that no parties will be disadvantaged, particularly with the additional costs of the software for NSW services, such as small-and medium-sized enterprises. Special focus will be placed on the efficiency gains of the project to ensure that the overall benefits will far outweigh costs in the long-term.

4. Specific analysis for policy-based lending

Not applicable

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? During the preparatory stage, sex-disaggregated data (women entrepreneurs engaged in trade) on the range of socioeconomic indicators relevant to the project will be collected in terms of their equitable access to the benefits and opportunities associated with the project. Due diligence will also consider how the project can complement the national gender policy and framework.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain.

Given automated and streamlined transactions, the NSW will substantially cut the time associated with applying permits and other trade-related documents. This time efficiency is advantageous for women traders, especially as women are more likely than men to be juggling professional and household responsibilities. Based on the 2010 SME mapping survey, around 37% of the entrepreneurs in the country were women, but they were mostly in home-based, small-scale production in the agriculture and fisheries sectors, while there are only a handful who run big enterprises, mostly in the services and trade sectors (e.g., tourism, education, food, and retail shops).^e The numerous jobs that will be indirectly realized under the project eventually will provide more employment opportunities for women. Out of the total 205,570 people employed in Maldives in 2014, women accounted for only 29%. Lastly, there is the potential to employ women in management and technically skilled positions directly generated under the project, though the number of such opportunities will be minimal. This will be carefully considered in designing the business model for the NSW operator.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain

For direct project-generated jobs, labor distribution (male–female) will be determined in preparing the business model, particularly the organizational structure and the corresponding human resource requirements of the NSW operator, to help identify any components that will have positive and negative impacts on women. For other indirect economic opportunities, the profile of business traders will be examined to make sure that the project will not highly favored male-dominated sectors or industries. Project design will include mitigation measures for any negative impacts on women arising due to the project.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.</p> <p>The Government of Maldives' cross-border regulatory and cargo-handling agencies, NSW operator, traders, freight forwarders, customs brokers, shipping agents, commercial banks, Maldives Monetary Authority, and a range of other participants in the trade process are the stakeholders. Relevant groups will be meaningfully consulted. Workshops and consultations to discuss their potential needs and environment and social safeguard issues, will be conducted.</p> <p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?</p> <p>Promoting women in skilled positions (e.g., management, technical) in the NSW operating agency. Ensuring that benefits of the project will be uniform across traders and firms regardless of location and gender. Designing a business model that will ensure that the costs of the service will not be prohibitive especially for small and medium-sized enterprises.</p> <p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?</p> <p><input type="checkbox"/> Information generation and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>Relevant civil society organizations are active in Male and in other islands. They will be consulted during the preparatory stage to get their insights on how they can effectively and meaningfully participate in the project design.</p> <p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The NSW operator can be housed in any of the existing government-owned buildings or facilities. Hence, no physical or economic displacement is expected.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>The population of Maldives is ethnically homogenous and there are no indigenous minority groups or subgroups that will be affected by the project where the NSW operations will be likely housed. Thus, the proposed project will have no impact on indigenous people.</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>

V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment - M <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability - M <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Core labor standards should be included in the contract with the NSW operator and the planned business cost model must ensure fair pricing and affordability of the service.</p>
VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the project preparatory technical assistance (PPTA) (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact; (iii) participation dimensions; (iv) social safeguards; and (v) other social risks? Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?</p> <p>Poverty, social, and gender analysis will be undertaken during due diligence by the economist and NSW specialist.</p>

^a World Bank. 2015. *Maldives Systemic Country Diagnostics*. Colombo.

^b These can include lower labor costs eliminated for error correction, reduced processing time (filing and approval), decreased time for documentary controls, and border coordination.

^c D. Lim Fat. 2016. *National Single Window Roadmap*. Unpublished report submitted to ADB-SARD. The study was funded by TA-8435-REG: Trade Facilitation in South Asia.

^d Government of Maldives, Department of National Planning. 2010. *Millennium Development Goals: Country Report 2010*. Male.

^e ADB. 2014. *Maldives Gender Equality Diagnostic of Selected Sectors*. Manila.